

Low Income Rate – Staff Request for Feedback

Nicor Gas Company (“Nicor Gas” or the “Company”) appreciates the opportunity to respond to Staff’s request for feedback regarding its examination of low-income discount rates for electric and natural gas residential customers. As an initial point, it is Nicor Gas’ position that whether it is appropriate to require a gas utility to offer a low-income rate presents both legal and policy questions for the Commission to determine. From a policy perspective, the Company notes that currently there are a variety of programs that provide financial assistance for utility bill payments for qualifying low-income customers, and not all funds from such programs have been disbursed. For example, entities such as the Salvation Army, United Way, and even Nicor Gas have programs in place to provide bill payment assistance to customers.

Nicor Gas’ response below is premised on the assumption that the Commission is requiring gas utilities to implement a low-income discount rate for residential customers.

1) Customer eligibility requirements, including income-based eligibility and eligibility based on participation in or eligibility for certain public assistance programs.

It is Nicor Gas’ position that the following approach to determine eligible residential customers is reasonable:

Must be considered income eligible via the following low-income definition:

- i. LIHEAP and PIPP – Income-eligible customers up to 200% of the federal poverty level
- ii. Deposit and LPC self-certification waivers for customers with 80% or less of average median income by county
- iii. Sharing Program – Income-eligible customers from 201-250% of FPL

2) Appropriate rate structures, including consideration of tiered discounts for different income levels and usage caps;

In general, any rate discount for natural gas service should be limited to residential base rate charges. Further, to avoid business process and information technology issues with the implementation and operation of such a discount, the discount should be limited to one percentage discount applicable to all qualifying customers.

3) Appropriate recovery mechanisms, including the consideration of volumetric charges and customer charges;

The base rate revenue deficiency resulting from a low-income discounted rate would necessarily need to be recovered from customers not otherwise eligible for the discount. Of course, the Commission would need to determine which customers would be responsible to bear the burden to make up the revenue deficit resulting from any discounted rate. To accomplish the recovery of this revenue deficiency, two mechanisms that can be utilized would be: 1) include in base rates the estimated/forecasted annual revenue deficiency, along with an annual true-up rider mechanism to ensure recovery of only the actual deficiency; or 2) no revenue deficiency included in base rates and, instead, a rider that would collect 100% of the revenue deficiency.

4) Appropriate verification mechanisms;

Verification measures could include:

- a. Verification conducted by the local community action agencies and Salvation Army offices through:
 - i. LIHEAP/PIPP enrollment (local community action agencies)
 - ii. Sharing enrollment (Salvation Army)
 - iii. Approved self-certification waivers currently used for deposits & LPCs (80% or less AML customers) and/or income verification by a third party for future consideration.

5) Measures to ensure customer confidentiality and data safeguards;

- a. Customer data/confidentiality is handled by local community action agencies level
- b. Salvation Army handles customer data and confidentiality for Sharing and keeps records for two years

6) Outreach and consumer education procedures; and

Credit team to partner with Corporate Communications to develop and execute a multi-channel customer communications awareness campaign. Channels can include:

- i. **Digital:** Energy assistance webpage and email
- ii. **Print:** Bill message, bill backer and mail
- iii. **Phone:** Agent to customer verbal communications

7) The impact that a low-income discount rate would have on the affordability of delivery service to low-income customers and customers overall.

The following table illustrates the potential monthly and annual reduction in an eligible low-income customer bill at different base rate discount levels. Please note that the table utilized Nicor Gas' current base rates and the usage of a typical residential customer.

Base Rate Discount	Annual Discount		Monthly Discount	
25%	\$	97.38	\$	8.11
30%	\$	116.85	\$	9.74
40%	\$	155.80	\$	12.98
50%	\$	194.75	\$	16.23

To provide context, the following tables illustrate the estimated annual revenue deficiencies, at various discount and customer participation levels, that would need to be recovered from non-low-income customers.

Example - 50,000 Qualifying Customers

Base Rate Discount	Estimated Annual Revenue Deficiency	Estimated Annual Increase for Non-Low Income Residential Customers
25%	\$ 4,868,789	\$ 1.69
30%	\$ 5,842,547	\$ 2.03
40%	\$ 7,790,062	\$ 2.71
50%	\$ 9,737,578	\$ 3.39

Example - 100,000 Qualifying Customers

Base Rate Discount	Estimated Annual Revenue Deficiency	Estimated Annual Increase for Non-Low Income Residential Customers
25%	\$ 9,737,578	\$ 3.47
30%	\$ 11,685,093	\$ 4.17
40%	\$ 15,580,124	\$ 5.56
50%	\$ 19,475,155	\$ 6.95